



Services evolution

Elengy/Fosmax LNG Proposals

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1. PURPOSE

Due to the increasing number of shippers who have booked capacities in French LNG Terminals, and the presence of two distinct terminals operators, Commission for Energy Regulation ('CRE') decided, by decision of March 15th, 2011, the establishment of a LNG discussion group ('LNG Concertation'), in order to assess the appropriateness of an evolution of the services offered to the Terminals customers ('Continuous', 'Uniform' or 'Spot'), as defined in the tariff order of October 20th, 2009.

This LNG Concertation has lead, since May 13th, 2001, to 3 Steering Committee meetings and 9 Working Group meetings, involving customers, CRE and operators.

The purpose of this document is to present the evolutions to the current regasification services offered to the market, that Elengy and Fosmax LNG propose to implement at the next LNG terminals' tariff period (ATM4), as the result of the working group, from its inception to date.

These changes are proposed in order to meet the expectations of the customers, taking into account operational and technical constraints currently faced by the Terminals.

Items not mentioned in this document are assumed to be unchanged from the current offer.

When a required parameter is left to the judgment of the LNG Concertation, the reasonable range of variation that can be considered by the operators is given in brackets and italics.

Some topics, somewhat outside of the services' evolution, are also addressed in this document, as having also been discussed within the LNG Concertation.

2. BASIC SERVICES

In case of rescheduling or late cancellation of deliveries from 'Uniform' service customers, and/or of rescheduling from 'Spot' service customers, part of the impact on Terminal's send-out may be allocated to 'Continuous' service customers, even if they are not responsible for scheduling modification. Indeed, the current send-out of 'Uniform' and 'Spot' services is, by definition, flat over a uniform period lasting 30 days.

Moreover, the services' accessibility, as defined today, does not allow the 'Uniform' service customers to subscribe more than 12 deliveries a year, and does not allow all the customers to access the 'Continuous' service.

Therefore, Elengy and Fosmax LNG suggest the following evolutions.

2.1. DEFINITIONS

Continuous Service: Within the framework of this regasification service, the operator provides to the shipper a send-out as regular as possible, according to the Terminal's unloading schedule, as defined in the Appendix 6 of the access contract of Elengy for the Montoir and Fos Tonkin Terminals, and in accordance with the Appendix 8 of the access contract of Fosmax LNG for the Fos Cavaou Terminal.

Uniform Service: As part of this regasification service, each cargo is sent out in the form of a uniform period (Daily Forecasted Quantity to be Sent Out equal to $1/30^{\text{th}}$ of the unloaded Quantities after gas taken off) lasting 30 days from the unloading date, except for intra-monthly rescheduling (see below §2.4 - Intra-monthly rescheduling under 'Uniform' service and scheduling under 'Spot' service).

Spot Service: Regasification service intended for cargoes unloaded during a given month and booked intra-monthly. Within the framework of this service, the Daily Forecasted Quantity to be Sent Out tends to the form of a uniform period lasting 30 days from the unloading date, limiting the impact on the Monthly Program already notified to the other shippers of the Terminal (see below §2.4 - Intra-monthly rescheduling under 'Uniform' service and scheduling under 'Spot' service).

Operators propose to rename these services in order to take into account these evolutions and to avoid confusions with the current services.

2.2. SERVICES ACCESSIBILITY

'Uniform' Service

Elengy and Fosmax suggest to give acces to the 'Uniform' service to shippers who have subscribed at most:

- 1 unloading per month
- An annual quantity not exceeding 12 TWh

For a given month, Elengy suggest that the total amount of the contractual unloaded quantities subscribed by all the customers under the 'Uniform' service must be less than $1/3$ of the overall monthly send-out of the Terminal.

In order to smooth the potential impacts, Elengy will also make its best effort to ensure that each day, the sum of inventories of the 'Uniform' service customers shall not exceed the Terminal's storage capacity.

Apart from the first paragraph of this section, the subscription rules for the 'Uniform' service remain unchanged for Fos Cavaou Terminal.

'Continuous' Service

Elengy and Fosmax LNG consider that the 'Continuous' service should be opened to all customers, from first delivery.

To promote 'Continuous' service access, this principle could be applied in particular to:

- the case of a 'Uniform' service customer wishing to unload more than 12 cargoes during the year; this shipper could subscribe to the 'Continuous' service for any unloading beyond its 12th unloading subscribed in the annual program.
- the case of a 'Uniform' customers wishing to unload 2 (or more) cargoes in a same month; this shipper could also subscribe to the 'Continuous' service for the additional monthly cargoes.

Thus, a 'Uniform' customer could have 3 contracts simultaneously: one contract for 'Uniform' service, one contract for 'Continuous' service and one contract for 'Spot' service. The type of contract has to be chosen by the customer when subscribing.

When subscribing isolated and non-regular deliveries (at most one cargo per quarter, eg.) under the 'Continuous' service, the shipper will not have to provide a guarantee for negative inventory, and on the other hand will not be entitled for a deficit allowance/overdraft as defined in the Appendix 6 of the access contract of Elengy and the Appendix 9 of the access contract of Fosmax LNG.

2.3. MANAGEMENT RULES FOR CONCOMITANT CONTRACTS

Note: items discussed in this section have not been developed within the LNG Concertation; however, operators considers that it is useful to integrate their proposals on the practical rules for the management of the different type of contracts.

In the framework of the current offer:

- In a given billing period, once a customer has subscribed at least a cargo under the 'Continuous' service, all additional subscriptions are performed under the 'Continuous' service in this period.
- A 'Uniform' service customer can subscribe a 'Spot' service, provided it concerns an additional cargo: one service per cargo and one service per contract.
Eg, when increasing the size of a cargo intra-monthly, for a delivery initially subscribed with a 'Uniform' contract, this additional capacity is subscribed as a 'Uniform' service, not a 'Spot' service.

To provide shippers additional flexibility as regards to the access to the different regasification services, Elengy and Fosmax LNG suggest the following new rule:

A 'Continuous' service shipper can subscribe new capacities under the 'Uniform' or the 'Spot' services, only for the current year and in a month when this shipper had not already subscribed unloading(s) under the 'Continuous' service.

2.4. INTRA-MONTHLY RESCHEDULING UNDER 'UNIFORM' SERVICE AND SCHEDULING UNDER 'SPOT' SERVICE

The send-out of a 'Spot' service customer tends to the form of a uniform period lasting 30 days (see §2.1. - Definitions). Elengy and Fosmax LNG suggest to elaborate this send-out profile in order to limit the impact of the addition of the new delivery to a variation of 10% [final value between 0%-20%] on the previously notified send-out of the 'Continuous' shippers. The modified send-out profile will be given to the 'Spot' shipper as part of the answer to its feasibility request (see Appendix 5 of the access contract of Elengy, and the scheduling process from the general conditions of the access contract of Fosmax LNG).

Elengy and Fosmax LNG suggest to consider the intra-monthly re-scheduling of a delivery under the 'Uniform' service as a scheduling request under the 'Spot' service as regards the contractual send-out for the considered month.

Thus, if an intra-monthly rescheduling request of a 'Uniform' service customer generates a variation of the daily send-out previously notified to the other shippers greater than 10% [final value between 0%-20%], the daily send-out of the 'Uniform' service customer can be modified in priority and its cargo may not be anymore sent-out under the form of a uniform period for the considered period. The modified send-out profile will be given to the shipper as a condition as part of the answer to its intra-monthly rescheduling request.

If reverse flow at the PITTM is not implemented (see below §2.6 - Reverse flow at the PITTM), operators are considering the possibility of setting up a financial guarantee to 'Uniform' service customers in order to manage the lending of gas between shippers (negative inventory).

2.5. LATE CANCELATION

Elengy and Fosmax LNG suggest to set up a penalty with a longer notice that is not only an anti-hoarding penalty but most of all an incentive not to disrupt Terminal's send-out.

An intra-monthly late cancelation will be subject to a penalty $P = P_0 \times F(n)$ with:

- n = number of days between the initial scheduled date of delivery and the notification date of cancelation.
- $P_0 = 50%$ [final value between 50% and 100%] of the tariff proportional to the "quantity unloaded" and to the "number of unloading operations" associated to this cargo in the last notified program.

$F(n)$ is equal to:

- 1 if $n \leq 5$
- $(1-n/N)$ if n is between 6 and N
- 0 if $n \geq N$

With $N = 10$ days [final value between 7 and 15 days].

There is no penalty if the cancelation has no impact on the other customers above the defined tolerance threshold.

The collected amount is given back to the impacted customers in proportion to the allocated send-out in the considered month.

An alternative to the penalty would be the send-out compensation by 'Uniform' and 'Spot' shippers, as currently applied to 'Continuous' customers. Such a principle would lead to a uniformity in the treatment of this event between the different types of services, setting up a 'market prices' penalty, instead of an inclusive penalty.

Elengy and Fosmax are considering the opportunity of such a compensation in case of late cancelation by 'Uniform' or 'Spot' customers.

2.6. REVERSE FLOW AT THE PITTM

In order to manage the variations on the send-out of the Terminal, in respect of the confidentiality and without entering in a compensation mechanism at PEG, Elengy and Fosmax LNG would like to have the opportunity to notify their customers of reverse flows at the PITTM.

The aggregated net flow notified to all customers of the Terminal has necessarily to physically go from the Terminal to GRTgaz's grid.

The concept of reverse capacity at PITTM has to be endorsed by GRTgaz. Operators suggest that the GRTgaz capacities are not freely subscribed by shippers but allocated a posteriori according to the daily use forced by the operator as part of the rescheduling management.

2.7. SECONDARY MARKET

Elengy and Fosmax LNG already give their customers the possibility to post transfer or acquisition forms for access capacities on the secondary market (the "Bulletin Board").

Elengy suggests to modify the current tariff and to invoice the service when the transaction is performed only, based on effective exchanged capacity, and at a cost of around 0.02 €/MWh [final value between 0.01 to 0.03 €/MWh]. This amount would be paid only in case of a sale by marketed by the operator (called 'anonymous offer'), or in case of a change of regasification service.

2.8. CAPACITY RELEASE

Elengy and Fosmax suggest to their customers to release their unused capacities with a longer period than currently offered.

Fosmax LNG suggests, quarterly schedule being part of its contract, to publish the subscribed capacity that is not scheduled for the current quarter. To be consistent, Elengy suggests the same proposal.

The operators shall publish no later than the 25th day of the month M the available capacities for the months M+1, M+2 and M+3, taking into account the subscribed quantities that have not been scheduled by shippers. This information is updated during the second week of the month.

Depending on the circumstances, such a disposal will allow the operator to offer a more efficient sale of the unused capacity, or a decrease of operational constraints on the month M+1 (flexibility on the unloading program and send-out profiles) to better match customers' needs in terms of visibility on Terminal's send-out.

This capacity release for the months M+2 and M+3 is possible at any time during the month M+1, to facilitate a concomitant delivery rescheduling request or a daily send-out notification request for the month M+1.

3. EARLY SEND-OUT OR SEND-OUT POSTPONEMENT SERVICES

The early/postponement send-out services are maintained, and Elengy and Fosmax LNG suggest the following changes:

- The service can be subscribed by customers for month M before the 20th day of the Month M-1, with at most 2 days of anticipation or postponement.
- The tariff would be progressive and based on the postponed/anticipated quantity (and not only on the number of days) in order to take into account the variable impact of cargoes that have different size, from Med-max to Q-Max.
- The service is not anymore available intra-monthly: however it may be implemented if it leads to a reduction of the impact on the other customers' send-out in case of a rescheduling (see §2.4. – Intra-monthly rescheduling under 'Uniform' service and scheduling under 'Spot' service). In such case, the service is not invoiced.

50% of the collected amount is returned to 'Continuous' service shippers based on the allocated send-out of the considered month.

4. SEND-OUT FLEXIBILITY SERVICE

Send-out flexibility is a strong expectation of customers and is encouraged by the CRE who sees a significant evolution there. Operators are aware of this issue and intend to offer different levels of flexibility.

Fosmax already offers weekly and daily flexibility. A feedback will be made on the use of this service since April 1st, 2010.

However, Fosmax LNG considers the possibility of offering an additional service of flexibility to the send-out flexibility already offered within the 'Continuous' service. In a given day, a customer could ask for a lower or a higher send-out even if Terminal's equipments have to be switched on or if their flow has to be controlled under nominal rate (notably pumps). This operation leading to a more important electricity consumption and wearing effect of the facilities, this service should be paid to cover the associated operational costs. This service would only be granted if it does not impact the schedule of the other customers at the Terminal.

Elengy confirms to its 'Continuous' service customers the possibility to reshape their send-out profile (for example week/week-end) through the monthly program request, within the limits of operational constraints.

Elengy customers can also regularly (e.g., once a week) notify the send-out profile they would like. Elengy will analyze the request, within the limits of operational constraints.

In case of imperative need of balancing on the downstream grid (e.g. extreme cold), the 'Continuous' service shippers can ask Elengy to increase the notified send-out. The operator will try to satisfy the request, within the limits of operational constraints. If this means risk of flaring, the concerned shipper should bear the costs.

Customers can also exchange LNG quantities at the Terminal (see §4.2 - LNG Inventory transfer of the Appendix 1 of the access contract of Elengy), and so, the associated send-out.

The possibility to offer send-out flexibility week W-1 for week W is considered by the operators, but requires further technical and financial studies. A detailed proposal will be made later by Elengy, including any incremental costs that would not have been included in the tariff approved by the CRE in the meantime.

5. UPSTREAM MANAGEMENT OF THE CONTRACT

5.1. ACCESS CONTRACT

Operators suggest some improvements to the access contract for better preparatory works before the call:

- Reorganization of the contract so as to consolidate all issues related to the unloading scheduling
- New Webpage on Elengy and Fosmax LNG Websites to be dedicated to LNG tankers and maritime counterparts

5.2. LIABILITY CLAUSE

Today, shippers and operators are contractually responsible without financial limit for loss or damage caused to or by the Terminal and/or to third parties by the Vessel (reciprocal liability).

Elengy proposes to limit the responsibility in case of property damage to 150 MEUR per event, associated to a mutual backup of the stakeholders.

For an implementation in 2012, article 19 'contract revision' would be applied to current customers willing to adopt the new condition before the new tariff is implemented.

Fosmax LNG plans to study the opportunity of such an evolution.

6. GAS TAKEN OFF

Considering the amount of gas returned in recent years, Elengy and Fosmax LNG suggest:

- To reduce the level of gas taken off within the following range:

Fos Tonkin	[0,2% - 0,3%]
Montoir	[0,3% - 0,5%]
Fos Cavaou	[0,2% - 0,3%]

However, considering the situation during the 1st half of 2012 Elengy favors the hypothesis of a high level of 0.5% in Montoir on the short term.

- To add in parallel a new mechanism in order to protect the operator in case of overruns as a result of significant events (loss of regasification, exceptionally cold temperatures, etc.). This mechanism could be based on an increase of the gas taken off level for the rest of the tariff period or during the following period.

Excess quantities will be given back at the end of the year to the current customers in proportion to the unloaded quantities during the year. In case of deficit, this deficit is registered in balance sheet for the following year.

7. LACK OF LNG

Customers have no contractual obligation to deliver a cargo to the Terminal. However, the current facilities are not designed for a very low utilization rate of the Terminals.

Operators do not want to introduce strong constraints in the service, optionality being an important part of the value of the subscription for their customers. However, it is necessary to tackle the risk of a lack of cargoes at the Terminal.

Elengy and Fosmax LNG suggest to adapt their offers as following:

- In a given month, within the monthly program process (or quarterly program in the case of Fos Cavaou) or further to an intra-monthly rescheduling request, if a small number of cargoes is expected at the Terminal, requiring a send-out of the terminal below the minimum flow for a complete reincorporation of the evaporations, the operator shall notify all its customers the beginning date and the predictable date of end of the considered period. The operator can decide the shutdown of the Terminal if the shortage of LNG is foreseen.
- During this period, any flared quantity of gas, as estimated the following month, is allocated to all the customers, in proportion to the difference (for each customer) between the threshold of 50% of the Contractually Unloaded Quantity (QDC) and the quantity actually unloaded.
- If no prior notification of the operator, the flaring is assumed to be usual consumption of the Terminal (maintenance, contingencies...) covered by usual gas taken off quantities or by a given shipper in some specific cases (see Appendix 1 of the Access contract of Elengy, article 12 – Gaz quality).

In case of long-lasting lack of cargoes which would involve risks as regards to the cooling of the terminal, the operators shall consult with its customers and the regulator in order to make the necessary arrangements and ensure coverage of the costs of the adopted solution.

Studies are ongoing in order to propose to the customers some investment and development projects aiming at reducing the impact of such situations.

8. SHIP RELOADING

Elengy and Fosmax LNG offer in 2012, on an experimental basis, a ship reloading service at Montoir and Fos Cavaou.

A feedback will be presented to the LNG Concertation by the operators.

Operators suggest to include this service in the next LNG terminals' tariff period (ATM4).

Elengy is considering the opportunity of offering a similar service in Tonkin.

9. TRANSPARENCY

9.1. EX-POST PUBLICATION

Since February 2012, Elengy and Fosmax LNG give access to past capacity publications ("Monthly LNG reception capacity"). The published data are: the available capacity, the subscribed capacity and the number of scheduled cargoes, per month and per terminal. Publications are .pdf based, sticking to the current format, with data since January 2010 for Elengy and since January 2012 for Fosmax LNG.

9.2. EX-ANTE PUBLICATION

The initial contractual annual program is now available for each terminal on the operators' websites. The dates of scheduled slots are displayed in a calendar. Neither the size of the cargoes nor the name of the shippers are mentioned. These data are not updated.

Since April 2012, the initial monthly program of each terminal for a given month M is released at the latest on the 25th of month M-1 by Elengy and Fosmax LNG. The aggregated daily send-out of the terminal, for the next month, is given without indication of inventory or delivery date. These data are not updated during the month and are available in the 'Transparency' section of the operators websites ('data filters' tool / 'Aggregated nominated quantities').

10. CARGO SHARING

Some customers are interested by the possibility to share at Terminal's flange (unloading) their cargo with other customers.

Fosmax LNG and Elengy suggest to explain the way to share a cargo sold in portions to several shippers with no contractual relationship.

The tariff of the service associated to this cargo will be applied to each concerned shipper on the basis of an unloading per shipper associated to an unloaded quantity equal to the partial cargo allocated to the shipper.

Some adjustments of the contract will be probably necessary about respective responsibilities of each party in case of cargo sharing.

Shippers can also exchange these quantities in tanks.